Water Security Agency Retirement Allowance Plan

Annual Report for 2015-2016

saskatchewan.ca

Government of Saskatchewan

Table of Contents

Letters of Transmittal 2

Introduction 3

Enrolment 3

Benefits 3

Management's Report 4

Financial Statements

- Auditor's Report 6
- Statement of Financial Position 7
- Statement of Changes in Net Assets Available for Benefits 8
- Statement of Changes in Benefits Obligation 9
- Notes to the Financial Statements 10

Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the Annual Report of the Water Security Agency Retirement Allowance Plan for the year ending March 31, 2016.

Kevin Doherty
Minister of Finance

The Honourable Kevin Doherty
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the Water Security Agency Retirement Allowance Plan for the year ending March 31, 2016.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Water Security Agency Retirement Allowance Plan

Introduction

The Water Security Agency (WSA) was originally established as the Saskatchewan Watershed Authority on October 1, 2002, and was continued under the *Water Security Agency Act*, on October 1, 2012. It is a Treasury Board Crown corporation within the meaning of *The Crown Corporation Act, 1993*.

The WSA established the Water Security Agency Retirement Allowance Plan (the Plan) for the purpose of providing certain retirement benefits to out-of-scope employees of the WSA.

The Plan is not registered as a pension plan under the *Income Tax Act* (Canada). The WSA has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of the WSA.

On November 16, 2004, an Order-in-Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA).

Enrolment

The Plan includes all out-of-scope employees of the WSA. As at March 31, 2016, there were 71 active members in the Plan.

Benefits

Members of the Plan retiring from the WSA, in accordance with the provision of the pension plan they are enrolled in, are paid a retirement allowance of two days pay for each year of service or portion thereof to a maximum of 40 days pay effective January 1, 2006. The retirement allowance is calculated at the employee's regular rate of pay at the date of retirement.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the Water Security Agency Retirement Allowance Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian accounting standards for pension plans applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

The Water Security Agency Retirement Allowance Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian accounting standards for pension plans.

Enclosed are the financial statements of the Water Security Agency Retirement Allowance Plan for the year ended March 31, 2016, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
July 19, 2016

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Water Security Agency Retirement Allowance Plan

Financial Statements

Year Ended March 31, 2016

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Water Security Agency Retirement Allowance Plan, which comprise the statement of financial position as at March 31, 2016, and the statement of changes in net assets available for benefits and statement of changes in benefits obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Water Security Agency Retirement Allowance Plan as at March 31, 2016, and the statement of changes in net assets available for benefits and the statement of changes in benefits obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Judy Ferguson

Regina, Saskatchewan
July 19, 2016

Judy Ferguson, FCPA, FCA
Provincial Auditor

1500 Chateau Tower - 1920 Broad Street Regina, Saskatchewan S4P 3V2
t 306.787.6398 *f* 306.787.6383 *e* info@auditor.sk.ca
www.auditor.sk.ca

Water Security Agency Retirement Allowance Plan **Statement 1**
Statement of Financial Position

As at March 31

	2016	2015
Net Assets Available for Benefits		
Water Security Agency Contributions Receivable (Note 3)	$ 477,400	$ 516,800
	477,400	516,800
Benefits Obligation (Note 3)	477,400	516,800
Surplus	$ -	$ -

(See accompanying notes to the financial statements)

Water Security Agency Retirement Allowance Plan **Statement 2**
Statement of Changes in Net Assets Available for Benefits

Year Ended March 31

	2016	2015
Increase in Assets		
Increase in Water Security Agency Contribution Receivable (Note 3)	$ 51,800	$ 63,800
Total Increase in Assets	51,800	63,800
Decrease in Assets		
Benefits Paid	91,200	50,200
Total Decrease in Assets	91,200	50,200
(Decrease) Increase in Net Assets	(39,400)	13,600
Net Assets Available for Benefits, Beginning of Year	516,800	503,200
Net Assets Available for Benefits, End of Year	$ 477,400	$ 516,800

(See accompanying notes to the financial statements)

Water Security Agency Retirement Allowance Plan **Statement 3**
Statement of Changes in Benefits Obligations

Year Ended March 31

	2016	2015
Benefits Obligation, Beginning of Year	$ 516,800	$ 503,200
(Decrease) Increase in Benefits Obligation		
Benefits Accrued	21,300	21,300
Interest on Benefits	14,300	18,000
Plan Experience	22,600	11,700
Change in Actuarial Assumptions	(6,400)	12,800
Benefits Paid	(91,200)	(50,200)
	(39,400)	13,600
Benefits Obligation, End of Year	$ 477,400	$ 516,800

(See accompanying notes to the financial statements)

1. Description of the Plan

Water Security Agency (WSA) established the Water Security Agency Retirement Allowance Plan (the Plan) for the purpose of providing certain retirement benefits to out-of-scope employees of WSA.

The Plan is not registered as a pension plan under the *Income Tax Act (Canada)*. WSA has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of WSA.

On November 16, 2004, an Order in Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA). An agreement has been established between PEBA and WSA, which specifies the administrative services that WSA will provide.

The following description is a summary only. For more complete information, reference should be made to the Plan document.

Eligibility

The plan includes all out-of-scope employees of WSA. As at March 31, 2016, there were 71 (2015 - 72) active members in the Plan.

Benefits

Employees retiring from WSA, in accordance with the provisions of the pension plan in which they are enrolled, are paid a retirement allowance of two (2) days pay for each year of service or portion thereof to a maximum of forty (40) days pay, effective January 1, 2006. The retirement allowance is calculated at the employee's regular rate of pay at the date of retirement.

2. Basis of Preparation and Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the CPA Canada Handbook, section 4600, Pension Plans. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) have been followed.

The following accounting policies are considered significant:

a) Basis of measurement

The financial statements have been prepared on the historical cost basis.

b) Financial instruments

The Plan's sole asset is the receivable from the Water Security Agency. As described in Note 4, the fair value of this receivable is its carrying value.

3. Contributions Receivable and Benefits Obligation

The benefits obligation of the Plan is receivable from WSA and will be funded by WSA as eligible employees retire. The present value of the benefits obligation was determined using the projected benefits method, prorated on service, and the best estimate assumptions of WSA's management. Plan experience is the difference between the expected and actual benefit obligation recognized as an increase or decrease in the statement of changes in benefits obligations. AON Hewitt, a firm of consulting actuaries, performed actuarial valuations as at March 31, 2016, and March 31, 2015, to determine the actuarial present value of the benefits obligation. The effective date of the next actuarial valuation will be March 31, 2017.

The benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The actuarial valuation is based on the following assumptions:

	2016	2015
Discount Rate	3.20%	2.90%
Inflation Rate	2.50%	2.50%
Salary Increase	2.00%	2.00%
Termination Rate Up to Age 49	5.00%	5.00%
Termination Rate After Age 49	0.00%	0.00%
Retirement - at Age 60		

The following illustrates the effect of changes in these assumptions on the benefits obligation:

Assumption	Change Made	Change in Obligation at March 31, 2016	Percentage change in Obligation
Annual Termination Rate	Plus 0.5%	(2,000)	(0.4%)
	Minus 0.5%	2,000	0.4%
Discount Rate	Plus 0.5%	(10,200)	(2.1%)
	Minus 0.5%	10,900	2.3%
General salary Increase	Plus 0.5%	10,900	2.3%
	Minus 0.5%	(10,400)	(2.2%)

The actuarial present value of the benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is not practicable.

4. Financial Risk Management

The nature of the Plan's operations results in a statement of net assets available for benefits, benefits obligations and surplus that consist entirely of financial assets and liabilities. As benefits are funded out of current operations of WSA, the Plan's financial risks relate primarily to credit risk. The maximum credit risk to which it is exposed at March 31, 2016, is limited to the carrying value of its contributions receivable from WSA.

5. Related Parties

Included in these financial statements are transactions with WSA, who is related to the Plan by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from WSA at no charge. Additionally, PEBA provides administrative services to the Plan for an administration fee, which is paid by WSA.